



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

James W. Carter
Division Director

1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

October 15, 1997

Opie Abeyta
BLM State Office
324 South State Street
Salt Lake City, Utah 84111

Re: Acceptance of Reclamation Surety, Summo USA Corporation and Lisbon Valley Mining Company LLC, Lisbon Valley Copper Project, M/037/088 (UTU-72499), San Juan County, Utah

Dear Ms. Abeyta:

Please review the enclosed copies of the surety and reclamation contract to determine if these documents satisfy the BLM's surety requirements for the Lisbon Valley Copper Project. This operation is categorized as a Plan of Operations with the BLM, which falls under the Division's category of a Large Mining Operation. The designated mine operator for this project is Summo USA Corporation and Lisbon Valley Mining Company, LLC. The reclamation surety proposed by the mine operator is surety bond #41-0130-24289-97-1 with United States Fidelity and Guaranty Company for the amount of \$2,689,000. The surety bond is on the Division's Joint Agency Surety Form (MR Form 6) and lists the Division, BLM and School Institutional Trust Lands Administration.

These documents are scheduled for presentation to the Board of Oil, Gas and Mining for their approval at the December 10, 1997 hearing. The Division will issue a final approval for this operation after the Board approves of the form and amount of reclamation surety. Please provide us with a written response regarding the BLM's acceptance or rejection of these surety documents by November 18, 1997. Please call me at (801) 538-5267 if you have any questions regarding this letter.

Sincerely,

Anthony A. Gallegos
Senior Reclamation Specialist

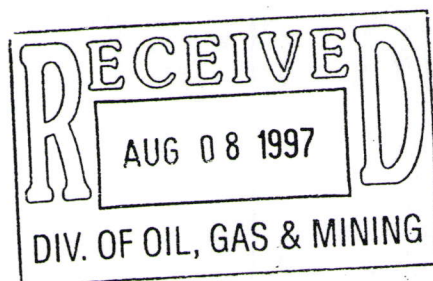
jb

Enclosures: surety bond & reclamation contract
cc: Lynn Jackson, BLM Moab District w/enclosures
m37-88.blm

File Number M/037/088

Effective Date _____

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940



RECLAMATION CONTRACT
---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) M/037/088
(Mineral Mined) Copper

"MINE LOCATION":
(Name of Mine) Lisbon Valley Copper Project
(Description) 18 miles south of La Sal. Utah
San Juan County

"DISTURBED AREA":
(Disturbed Acres) 395 Acres 30% of total project*
(Legal Description) (refer to Attachment "A")

"OPERATOR":
(Company or Name) Summo USA Corporation and
(Address) Lisbon Valley Mining Co. LLC
BY: Summo USA Corporation, Manager
Denver Center Building. Suite 900
1776 Lincoln Street
Denver. CO 80203
(Phone) 303-861-5400

"OPERATOR'S REGISTERED AGENT":

(Name)

(Address)

(Phone)

CT CORPORATION

50 West Broadway

8th Floor

Salt Lake City, Utah 84104

(801) 531-7090

"OPERATOR'S OFFICER(S)":

Mr. Greg Hahn - President

Mr. Robert A. Prescott - Vice Pres.

Mr. James D. Frank - VP Finance & CFO

"SURETY":

(Form of Surety - Attachment B)

Surety Bond

"SURETY COMPANY":

(Name, Policy or Acct. No.)

United States Fidelity and Guaranty Company

AK 0013052189-9701

"SURETY AMOUNT":

(Escalated Dollars)

\$2,689,000.00

"ESCALATION YEAR":

2000

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between * Lisbon Valley Mining Co. LLC the "Operator" and the Utah State Board of Oil, Gas and Mining ("Board").
* Summo USA Corporation and

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/037/088 which has been approved by the Utah State Division of Oil, Gas and Mining "Division" under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Board, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Board and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated August 1995, and the original Reclamation Plan dated August 1995. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Board. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Board in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Board. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as

amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the (Board) that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The (Board) shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

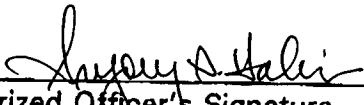
7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Board to substitute surety. The Board, in its sole judgment and discretion, may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.

14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

Summo USA Corporation and
Lisbon Valley Mining Co. LLC

Operator Name

By: Gregory A. Hahn
Authorized Officer (Typed or Printed)


Authorized Officer's Signature

August 7, 1997
Date

SO AGREED this _____ day of _____, 19____

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

BY _____
Dave D. Lauriski, Chairman
Utah State Board of Oil, Gas and Mining

DIVISION OF OIL, GAS AND MINING:

By _____
James W. Carter, Director

_____ Date

STATE OF _____)
) ss:
COUNTY OF _____)

On the _____ day of _____, 19 _____, personally appeared before me, who being duly sworn did say that he/she, the said _____ is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/she duly acknowledged to me that he/she executed the foregoing document by authority of law on behalf of the State of Utah.

Notary Public
Residing at: _____

My Commission Expires:

OPERATOR:

Summo USA Corporation and
Lisbon Valley Mining Co. LLC
Summo USA Corporation, Manager

Operator Name

By Gregory A. Hahn - President
Corporate Officer - Position

August 7, 1997
Date

Gregory A. Hahn
Signature

STATE OF Colorado)
COUNTY OF Denver) ss:

On the 7th day of August, 19 97, personally
appeared before me Gregory A. Hahn who
being by me duly sworn did say that he/she, the said Gregory A. Hahn
is the President of Summo USA Corporation
and duly acknowledged that said instrument was signed on behalf of said company
by authority of its bylaws or a resolution of its board of directors and said
Gregory A. Hahn duly acknowledged to me that said
company executed the same.

Michelle Hebert
Notary Public
Residing at: Lakewood, CO

3-18-99
My Commission Expires:

ATTACHMENT "A"

Summo USA Corporation and
Lisbon Valley Mining Co. LLC
Summo USA Corporation, Manager

Lisbon Valley Copper Project

Operator

Mine Name

M/037/088

San Juan

County, Utah

Permit Number

The legal description of lands to be disturbed is:

- * The total proposed project disturbance is = 1048 acres. Summo USA Corporation is proposing to initially bond for (3 years of activity)= 395 Acres

Before additional activities at the project occur. Summo will post the appropriate additional bond necessary for the activity.

All Proposed activities are located in all, or parts of:

Sections 22, 23, 24, 25, 26, 27, 34, 35, & 36 Township 30 South, Range 25 E

Section 1 Township 31 South, Range 25 East

Sections 30 & 31 Township 30 South, Range 26 East

ATTACHMENT B

MR FORM 6
Joint Agency Bonding Form

(June 7, 1995)

Bond Number _____
Permit Number _____
Mine Name _____

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas and Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
(801) 538-5340

THE MINED LAND RECLAMATION ACT

SURETY BOND

The undersigned Summo USA Corporation and
Lisbon Valley Mining Company LLC as Principal,
and United States Fidelity and Guaranty Company as Surety, hereby jointly and severally
bind ourselves, our heirs, administrators, executors, successors and assigns unto the State of Utah,
Division of Oil, Gas and Mining, and The U.S. Dept. of the Interior - BLM and the School
and Institutional Trust Lands Administration in the
penal sum of Two Million Six Hundred Eighty Nine dollars (\$ 2,689,000.00).
Thousand

Principal has estimated in the Mining and Reclamation Plan approved by the Division
of Oil, Gas and Mining on the 14th day of March, 19 97, that 395 acres of
land will be disturbed by this mining operation in the State of Utah.

A description of the disturbed land is attached as "Attachment A" to the
Reclamation Contract of which this document is an integral part.

The condition of this obligation is that if the Division determines that Principal has
satisfactorily reclaimed the disturbed lands in accordance with the approved Mining and
Reclamation Plan and has faithfully performed all requirements of the Mined Land Reclamation
Act, and complied with the Rules and Regulations adopted in accordance therewith, then this
obligation shall be void; otherwise it shall remain in full force and effect.

If the Mining and Reclamation Plan provides for periodic partial reclamation of the
disturbed lands, and if the lands are reclaimed in accordance with such Plan, Act and regulations,
then Principal may apply for a reduction in the amount of this Surety Bond.

In the converse, if the Mining and Reclamation Plan provides for a gradual increase in the area disturbed or the extent of disturbance, then, the Division may require that the amount of this Surety Bond be increased, with the written approval of the Surety.

This bond may be canceled by the Surety after ninety (90) days following receipt by the Division and Principal of written notice of such cancellation. Surety's liability shall then, at the expiration of said ninety (90) days, cease and terminate except that Surety will remain fully liable for all reclamation obligations of the Principal incurred prior to the date of termination.

Principal and Surety and their successors and assigns agree to guarantee said obligation and to indemnify, defend, and hold harmless the Division from any and all expenses (including attorney fees) which the Division may sustain in the collection of sums due hereunder.

Surety will give prompt notice to Principal and to the Division of the filing of any petition or the commencement of any proceeding relating to the bankruptcy, insolvency, reorganization, or adjustment of the debts of Surety, or alleging any violation or regulatory requirements which could result in suspension or revocation of the Surety's license to do business.

IN WITNESS WHEREOF, the Principal and Surety hereunto set their signatures and seals as of the dates set forth below.

Summo USA Corporation and

Lisbon Valley Mining Company LLC

Principal (Permittee)

BY: Summo USA Corporation, Manager

James D. Frank

By (Name typed):

Vice President Finance & CFO

Title

James D. Frank

Signature

Surety Company United States Fidelity and Guaranty Company

Ava M. Schaefer

Company Officer

July 2, 1997

Date

Attorney-in-Fact

Title/Position

Ava M. Schaefer

Signature

July 3, 1997
Date

Page 3
MR-6
Joint Agency Surety Bond
Attachment B

Bond Number _____
Permit Number _____
Mine Name _____

SO AGREED this _____ day of _____, 19____.

Dave D. Lauriski, Chairman
Board of Oil, Gas and Mining

*NOTE: Where one signs by virtue of Power of Attorney for a Surety Company, such Power of Attorney must be filed with this bond. If the Principal is a corporation, the bond shall be executed by its duly authorized officer.

AFFIDAVIT OF QUALIFICATION

On the 2nd day of July, 19 97, personally appeared before me Ava M. Schaefer who being by me duly sworn did say that he/she, the said Ava M. Schaefer is the Attorney-In-Fact of United States Fidelity and Guaranty Company and duly acknowledged that said instrument was signed on behalf of said company by authority of its bylaws or a resolution of its board of directors and said Ava M. Schaefer duly acknowledged to me that said company executed the same, and that he/she is duly authorized to execute and deliver the foregoing obligations; that said Surety is authorized to execute the same and has complied in all respects with the laws of Utah in reference to becoming sole surety upon bonds, undertaking and obligations.

Signed: Ava M. Schaefer
Surety Officer Ava M. Schaefer

Title: Attorney-In-Fact

STATE OF Kentucky)
COUNTY OF Fayette) ss:

Subscribed and sworn to before me this 2nd day of July, 19 97.

Frieda Cyrus
Notary Public Frieda Cyrus

Residing at: 725-A Bureka Springs Dr., Lexington, KY 40517

My Commission Expires:

August 11, 19 98.

United States Fidelity and Guaranty Company

Power of Attorney

No. 109897



Know all men by these presents: That **United States Fidelity and Guaranty Company**, a corporation organized and existing under the laws of the State of Maryland and having its principal office at the City of Baltimore, in the State of Maryland, does hereby constitute and appoint **James H. Godfrey, Jr., Phillip S. McCrorie and Ava M. Schaefer**

of the City of Lexington, State of Kentucky its true and lawful Attorney(s)-in-Fact, each in their separate capacity if more than one is named above, to sign its name as surety to, and to execute, seal and acknowledge any and all bonds, undertakings, contracts and other written instruments in the nature thereof on behalf of the Company in its business of guaranteeing the fidelity of persons; guaranteeing the performance of contracts; and executing or guaranteeing bonds and undertaking required or permitted in any actions or proceedings allowed by law.

In Witness Whereof, the said **United States Fidelity and Guaranty Company**, has caused this instrument to be sealed with its corporate seal, duly attested by the signatures of its Vice President and Assistant Secretary, this 7th day of June, A.D. 1996.



United States Fidelity and Guaranty Company,

(Signed) By [Signature] Vice President

(Signed) By [Signature] Assistant Secretary

State of Maryland)

Baltimore City)

SS:

On this 7th day of June, A.D. 1996, before me personally came Gary A. Wilson, Vice President of **United States Fidelity and Guaranty Company**, and Thomas J. Fitzgerald, Assistant Secretary of said Company, with both of whom I am personally acquainted, who being by me severally duly sworn, said, that they, the said Gary A. Wilson and Thomas J. Fitzgerald were respectively the Vice President and the Assistant Secretary of the said **United States Fidelity and Guaranty Company**, the corporation described in and which executed the foregoing Power of Attorney; that they each knew the seal of said corporation; that the seal affixed to said Power of Attorney was such corporate seal, that it was so affixed by order of the Board of Directors of said corporation, and that they signed their names thereto by like order as Vice President and Assistant Secretary, respectively, of the Company.

My Commission expires the 1st day of August, A.D. 1998.

(Signed) By [Signature] Notary Public

This Power of Attorney is granted under and by authority of the following Resolutions adopted by the Board of Directors of the **United States Fidelity and Guaranty Company** on September 24, 1992:

Resolved, that in connection with the fidelity and surety insurance business of the Company, all bonds, undertakings, contracts and other instruments relating to said business may be signed, executed, and acknowledged by persons or entities appointed as Attorney(s)-in-Fact pursuant to a Power of Attorney issued in accordance with these resolutions. Said Power(s) of Attorney for and on behalf of the Company may and shall be executed in the name and on behalf of the Company, either by the Chairman, or the President, or an Executive Vice President, or a Senior Vice President, or a Vice President or an Assistant Vice President, jointly with the Secretary or an Assistant Secretary, under their respective designations. The signature of such officers may be engraved, printed or lithographed. The signature of each of the foregoing officers and the seal of the Company may be affixed by facsimile to any Power of Attorney or to any certificate relating thereto appointing Attorney(s)-in-Fact for purposes only of executing in and attesting bonds and undertakings and other writings obligatory in the nature thereof, and, unless subsequently revoked and subject to any limitations set forth therein, any such Power of Attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is validly attached.

Resolved, That Attorney(s)-in-Fact shall have the power and authority, unless subsequently revoked and, in any case, subject to the terms and limitations of the Power of Attorney issued to them, to execute and deliver on behalf of the Company and to attach the seal of the Company to any and all bonds and undertakings, and other writings obligatory in the nature thereof, and any such instrument executed by such Attorney(s)-in-Fact shall be as binding upon the Company as if signed by an Executive Officer and sealed and attested to by the Secretary of the Company.

I, Thomas J. Fitzgerald, an Assistant Secretary of the **United States Fidelity and Guaranty Company**, do hereby certify that the foregoing are true excerpts from the Resolutions of the said Company as adopted by its Board of Directors on September 24, 1992 and that these Resolutions are in full force and effect.

I, the undersigned Assistant Secretary of the **United States Fidelity and Guaranty Company**, do hereby certify that the foregoing Power of Attorney is in full force and effect and has not been revoked.

In Testimony Whereof, I have hereunto set my hand and the seal of the **United States Fidelity and Guaranty Company**, on this 2nd day of July, 1997



Assistant Secretary